

Carter Synergy Limited

Report and Financial Statements

Year Ended

31 December 2017

Company Number 00176807



Carter Synergy Limited

Report and financial statements for the year ended 31 December 2017

Contents

Page:

1	Strategic report
3	Directors' report
6	Independent auditor's report
9	<i>Statement of comprehensive income</i>
10	Statement of financial position
11	Statement of changes in equity
12	Notes to the financial statements

Directors

B E Kerrison
J C Scott
P R Madelin
J M Evans
C S Hufflett
S Price

Secretary

P R Madelin

Registered office

Redhill Road, Hay Mills, Birmingham, B25 8EY

Company number

00176807

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Carter Synergy Limited

Strategic report for the year ended 31 December 2017

Introduction

The company's principal activity is the design, installation, service and maintenance of refrigeration systems and building engineering services.

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2017.

Review of the business

The company's turnover has increased to £55,952,538 (2016 - £46,995,122) and has produced a profit before taxation of £282,494 (2016 – profit £1,078,927). Turnover has increased from 2016, primarily in the contracting division. However there were increases in commodity prices (including refrigerant gas) and general margin pressure which resulted in the lower levels of profit this year.

Future developments

The business continues to develop into new sectors away from retail, particularly with heating, ventilation and air-conditioning. There is still a dedicated focus on retail and to expand our offer in that sector. This combined approach will continue to mitigate seasonal risk and enable the company to grow.

Key performance indicators

The key performance indicators of the company are as follows:

	2017 £	2016 £
Turnover	55,952,538	46,995,122
Profit before tax	282,494	1,078,927
Profit before tax (%)	0.5%	2.3%

Principal risks and uncertainties

The company remains dependent on major UK supermarkets for a large part of the business. This is mainly within the refrigeration sector however there continues to be an expansion in heating and ventilation work, which reduces seasonal risk from a company view as well as growth in the non-retail sector.

Financial risk management objectives and policies

Currency risk

The company mainly operates within the UK and has a relatively small level of overseas suppliers. Currency risk is not currently at significant levels at year end. Should overseas trade increase there are plans in place to manage that risk accordingly.

Credit risk

The company deals extensively with major supermarkets and this minimises the risk of bad debt. However there may be credit risks particularly when the company is dealing with main building contractors rather than directly with the supermarkets. The company has been working to reduce the risk associated with that supply chain and cover the larger risks with credit insurance.

Cash flow

The company monitors its cash flow as part of its day-to-day control procedures. In addition directors regularly review short term and long term cash projections to ensure the appropriate facilities are available as necessary.

Carter Synergy Limited

Strategic report for the year ended 31 December 2017 (*continued*)

Liquidity and funding

The directors have prepared forecasts and projections, which cover a period of more than 12 months from the date of the approval of the financial statements, taking account of reasonable changes in trading performance. Any short term working capital requirements are funded from the Carter Thermal Industries group banking facility of which the company is a member. After making enquiries, the directors have a confident expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future.

Health and safety

The company continues to maintain and develop its quality, health and safety and environmental processes for the benefit of its employees, customers and members of the public. The company holds RoSPA Gold Award and accredited to ISO 9001 for Quality systems, OHS 18001 for Health & Safety and ISO 14001 for Environmental Standards we can clearly demonstrate our commitment and professionalism to all interested parties.

Approval

This strategic report was approved on behalf of the Board on 23 August 2018.

J C Scott
Director



Carter Synergy Limited

Directors' report for the year ended 31 December 2017

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to £216,716 (2016 - £846,965).

Interim dividends of £Nil (2016 - £Nil) per share were paid to ordinary shareholders during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year and up to the date of the financial statements were:

B E Kerrison
J C Scott
P R Madelin
J M Evans
C S Hufflett (appointed 17 January 2018)
S Price (appointed 21 February 2018)

Financial risk management policy

The company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures.

Financial Instruments

The company's principal financial instruments comprise cash and balances with group undertakings and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risk associated with the group's financial assets and liabilities are set out below.

Price risk

The group does not deem the exposure to price changes in operating activity costs to be significant enough to consider any hedging activity to be necessary.

Credit risk

The group's credit risk is primarily attributed to its trade receivables, with exposure spread over a large number of counterparties and customers. The group aims to minimise such losses with insurance covers on large debts and a key focus on debtor collection in order to minimise bad debt exposure.

Liquidity risk

The group aims to mitigate liquidity risk by managing cash generated by its operations. Flexibility is maintained by retaining surplus cash in readily accessible bank accounts.

Employee involvement

Employee representatives are informed of the economic factors affecting the performance of the company by means of regular meetings with management. The flow of more general information to staff is maintained via the internal company website.

Carter Synergy Limited

Directors' Report for the year ended 31 December 2017 (*continued*)

Employment of disabled persons

Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career development and promotion.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Qualifying third party indemnity provisions

The company maintains liability insurance for directors and officers as permitted by section 234 of the Companies Act 2006.

Directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether applicable UK accounting standards have been followed, subject for any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Carter Synergy Limited

Directors' report for the year ended 31 December 2017 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'J C Scott', written over a horizontal line.

J C Scott
Director

Date: 23 August 2018

Carter Synergy Limited

Independent auditor's report to the members of Carter Synergy Limited

Opinion

We have audited the financial statements of Carter Synergy Limited ("the company") for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Carter Synergy Limited

Independent auditor's report (*continued*)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Carter Synergy Limited

Independent auditor's report (*continued*)

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Thomas Lawton (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

Date



BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Carter Synergy Limited

Statement of comprehensive income for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	3	55,952,538	46,995,122
(Decrease)/increase in stocks of finished goods and work in progress		(540,813)	478,844
Raw materials and consumables		(10,271,062)	(12,512,132)
Other external charges		(22,174,279)	(13,471,356)
Staff costs		(19,513,216)	(16,564,398)
Depreciation and amortisation		(881,435)	(1,141,962)
Other operating expenses		(2,633,915)	(2,844,240)
Operating (loss)/profit	4	(62,182)	939,878
Interest receivable and similar income	8	15,985	20,791
Profit on disposal of fixed assets		328,691	118,258
Profit before taxation		282,494	1,078,927
Taxation on profit on ordinary activities	9	(65,778)	(231,962)
Total comprehensive income for the year		216,716	846,965

There is no other comprehensive income/charge for the current year or prior year.

All amounts relate to continuing activities.

The notes on pages 12 to 26 form part of these financial statements.

Carter Synergy Limited

Statement of financial position as at 31 December 2017

<i>Company number 00176807</i>	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	11		830,357		2,456,696
Current assets					
Stocks	13	2,348,932		1,847,710	
Debtors	14	16,656,705		17,261,252	
Cash at bank and in hand		5,580,198		3,275,554	
		<u>24,585,835</u>		<u>22,384,516</u>	
Creditors: amounts falling due within one year	15	<u>(15,800,877)</u>		<u>(15,442,613)</u>	
Net current assets			<u>8,784,958</u>		<u>6,941,903</u>
Total assets less current liabilities			<u>9,615,315</u>		<u>9,398,599</u>
Provisions for liabilities					
Other provisions	18		(39,500)		(39,500)
Net assets			<u>9,575,815</u>		<u>9,359,099</u>
Capital and reserves					
Called up share capital	19		10,200		10,200
Retained earnings	16		9,565,615		9,348,899
Shareholders' funds			<u>9,575,815</u>		<u>9,359,099</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23 August 2018.

J C Scott
Director



The notes on pages 12 to 26 form part of these financial statements.

Carter Synergy Limited

Statement of changes in equity for the year ended 31 December 2017

	Share Capital £	Retained earnings £	Total equity £
At 1 January 2017	10,200	9,348,899	9,359,099
Comprehensive income for the year			
Profit for the year	-	216,716	216,716
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	216,716	216,716
	<hr/>	<hr/>	<hr/>
At 31 December 2017	10,200	9,565,615	9,575,815
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Statement of changes in equity for the year ended 31 December 2016

	Share Capital £	Retained earnings £	Total equity £
At 1 January 2016	10,200	8,501,934	8,512,134
Comprehensive income for the year			
Profit for the year	-	846,965	846,965
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	846,965	846,965
	<hr/>	<hr/>	<hr/>
At 31 December 2016	10,200	9,348,899	9,359,099
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 12 to 26 form part of these financial statements.

Carter Synergy Limited

Notes forming part of the financial statements for the year ended 31 December 2017

1 Accounting policies

1.1 Basis of preparation of financial statements

Carter Synergy Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activity is set out in the strategic report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 2).

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Carter Thermal Industries as at 31 December 2017 and these financial statements may be obtained from Companies House as per note 24.

The following principle accounting policies have been applied:

1.2 Consolidated financial statements

The financial statements contain information about Carter Synergy Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by section 400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in EEA group accounts of a larger group.

1.3 Going concern

The directors have prepared forecasts and projections, which cover a period of more than 12 months from the date of the approval of the financial statements, taking account of reasonable changes in trading performance. Any short term working capital requirements are funded from the Carter Thermal Industries group banking facility of which the company is a member. After making enquiries, the directors have a confident expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future.

Carter Synergy Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provided incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold buildings	-	10 years
Plant and machinery	-	3-5 years
Motor vehicles	-	4 years
Fixtures and fittings	-	3-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Carter Synergy Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

1.5 Tangible fixed assets (*continued*)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that an asset is impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cashflows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Carter Synergy Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.8 Financial instruments

Financial assets

Financial assets comprise cash at bank and in hand, trade debtors, other debtors, and amounts owed by group undertakings; these are initially recorded at cost on the date they originate and are subsequently recorded at amortised cost under the effective interest method. The company considers evidence of impairment for all individual trade and other debtors and amounts owed by company undertakings, and any subsequent impairment is recognised in profit or loss.

Impairment of financial assets carried at amortised cost

Impairment provisions are recognised when there is objective evidence that a financial asset or company of financial assets is impaired. Objective evidence includes significant financial difficulties of the counterparty, default or significant delays in payment.

Impairment provisions represent the difference between the net carrying amount of a financial asset and the present value of the expected future cash receipts from that asset.

Financial liabilities

Financial liabilities comprise trade creditors, other creditors, corporation tax payable, other tax and social security, accruals and amounts due to group undertakings; these are initially recorded at cost on the date they originate, and are subsequently carried at amortised cost under the effective interest method.

1.9 Foreign currency translation

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when the fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

Carter Synergy Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

1.10 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to continue to be charged over the period to the first market rent review rather than the term of the lease.

1.11 Pensions

The company is a participating employer in the Carter Thermal Industries Limited Pension Scheme, Carter Executive Pension Plan and the Carter Money Purchase Plan. Details of the most recent actuarial valuation of the schemes are set out in the financial statements of the parent company, Carter Thermal industries Limited.

Retirement benefits to employees are provided by defined benefit and contribution schemes which are funded by contributions from the company and employees. Payments are made either to pension trusts which are financially separate from the company or to insurance companies. Payments to the defined benefit scheme which are made in accordance with periodic calculations by professionally qualified actuaries are charged to the Statement of Comprehensive Income (note 20). As the company's share of the net assets and liabilities of the group scheme cannot be separately identified, the company accounts for its pension contributions to the group scheme on a defined contribution basis.

Contributions to the defined contribution and defined benefit pension schemes are charged to profit and loss in the year in which they become payable.

Carter Money Purchase Plan ceased to accept contributions with effect from 1 July 2017 and all members' benefits were transferred to National Pensions Trust on 18 September 2017.

1.12 Provisions for Liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Carter Synergy Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

1.13 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

1.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimated and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities and are not readily apparent from the source. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Carter Synergy Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

2 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Stock provisions

At each reporting date stock is assessed for impairment. If stock is impaired the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Trade debtors

At each reporting date, trade debtors are assessed for recoverability. If there is any evidence of impairment the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Warranty provision

The company provides for guarantee costs which the company is obliged to make on certain sales. The provision is management's best estimate of the claims which are likely to be made within the forthcoming annual guarantee period. The guarantee period is typically one year in duration.

3 Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Sale of goods and integrated services	19,331,770	19,290,439
Provision of services	36,620,768	27,704,683
	<u>55,952,538</u>	<u>46,995,122</u>

Analysis by class of geographical market:

United Kingdom	55,566,438	46,732,564
Europe	134,564	152,807
Rest of the world	251,536	109,751
	<u>55,952,538</u>	<u>46,995,122</u>

Turnover is wholly attributable to the principal activity of the company.

4 Operating profit

	2017 £	2016 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	881,435	1,141,962
Hire of plant and machinery	541,558	14,421
Hire of other assets	139,800	131,507
Other pension cost	512,347	340,297
	<u>2,075,140</u>	<u>1,628,187</u>

Carter Synergy Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

5 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor for the auditing of the company's annual accounts	15,000	14,000
- other taxation services	1,900	1,900
	<u>16,900</u>	<u>15,900</u>

6 Employees

	2017 £	2016 £
Staff costs (including directors) consist of:		
Wages and salaries	17,189,994	14,654,744
Social security costs	1,810,875	1,569,357
Other pension costs	512,347	340,297
	<u>19,513,216</u>	<u>16,564,398</u>

The average number of employees(including the directors) during the year was as follows:

	Number	Number
Production	247	222
Administration	189	169
	<u>436</u>	<u>391</u>

7 Directors' remuneration

	2017 £	2016 £
Directors' emoluments	194,078	194,985
Company contributions to pension schemes	22,544	129,044
	<u>216,622</u>	<u>324,029</u>

There were no directors in the company's defined benefit pension scheme (2016 - 3) and 2 directors in the company's defined contribution pension scheme (2016 - 5) during the year.

The total amount payable to the highest paid director in respect of emoluments was £121,139 (2016 - £83,441). In 2017, the highest paid director was not a member of a defined benefit scheme, there is no accrued pension at the year-end (2016 - £Nil). Contributions of £15,150 (2016 - £10,481) were made to a defined contribution scheme on their behalf.

8 Interest receivable and similar income

	2017 £	2016 £
Bank deposits	15,985	20,791
	<u>15,985</u>	<u>20,791</u>

Carter Synergy Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

9 Taxation

	2017 £	2016 £
<i>UK Corporation tax</i>		
Current tax on profits for the year	89,775	285,638
Adjustments in respect of previous periods	(36,743)	8,037
	<hr/>	<hr/>
Total current tax	53,032	293,675
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(19,300)	(52,750)
Adjustments in respect of previous periods	32,046	(18,767)
Effect of tax rate change on opening balance	-	9,804
	<hr/>	<hr/>
Total deferred tax	12,746	(61,713)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	65,778	231,962
	<hr/>	<hr/>

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	282,494	1,078,927
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	54,380	215,786
Effects of:		
Expenses not deductible for tax purposes	13,553	7,767
Adjustments in respect of prior periods	(4,697)	(10,703)
Other	2,542	19,112
	<hr/>	<hr/>
Total tax charge for the year	65,778	231,962
	<hr/>	<hr/>

Factors that may affect future tax charges

The standard rate of UK corporation tax will reduce to 17% effective 1 April 2020. Accordingly these rates have been used in the calculation of deferred tax balances as at 31 December 2017.

Carter Synergy Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

10 Dividends

	2017 £	2016 £
Ordinary shares		
Interim paid of £Nil (2016 - £Nil) per share	-	-

11 Tangible assets

	Leasehold buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost</i>					
At 1 January 2017	32,057	8,203	4,920,652	609,488	5,570,400
Additions	-	14,320	555,127	58,323	627,770
Disposals	-	-	(2,811,793)	-	(2,811,793)
At 31 December 2017	32,057	22,523	2,663,986	667,811	3,386,377
<i>Depreciation</i>					
At 1 January 2017	32,057	8,203	2,544,953	528,491	3,113,704
Charge for the year	-	2,387	829,028	50,020	881,435
Disposals	-	-	(1,439,119)	-	(1,439,119)
At 31 December 2017	32,057	10,590	1,934,862	578,511	2,556,020
<i>Net book value</i>					
At 31 December 2017	-	11,933	729,124	89,300	830,357
At 31 December 2016	-	-	2,375,699	80,997	2,456,696

Carter Synergy Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

12 Fixed asset investments

	Investments in Subsidiary Companies £
<i>Cost</i>	
At 1 January 2017 & 31 December 2017	1
<i>Impairment</i>	
At 1 January 2017 & 31 December 2017	1
<i>Net book value</i>	
At 31 December 2017	-
At 31 December 2016	-

Name	Country of incorporation	Class of shares	Holding	Nature of business
Carter Planned Maintenance Limited	England & Wales	Ordinary	100%	Dormant

13 Stocks

	2017 £	2016 £
Raw materials and consumables	1,176,351	1,042,904
Work in progress	1,871,153	1,330,341
Payments on account	(698,572)	(525,535)
	<u>2,348,932</u>	<u>1,847,710</u>

Stock recognised in cost of sales during the year as an expense was £10,899,207 (2016 - £12,870,253).

In 2017 an impairment loss of £34,993 (2016 - £28,039) was recognised in cost of sales against stock during the year due to slow moving and obsolete stock.

There is no material difference between the replacement cost of stocks and the amounts stated above.

Carter Synergy Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

14 Debtors

	2017 £	2016 £
Trade debtors	16,214,803	16,694,891
Amounts owed by group undertakings	23,888	158,723
Other debtors	32,429	72,027
Prepayments and accrued income	172,113	116,186
Deferred taxation	206,679	219,425
Corporation tax asset	6,793	-
	<u>16,656,705</u>	<u>17,261,252</u>

All amounts shown under debtors fall due for payment within one year.

The impairment gain recognised for the period in respect of bad and doubtful debts was £30,355 (2016 - £49,515 loss).

15 Creditors: amounts falling due within one year

	2017 £	2016 £
Payments received on account	1,505,793	293,705
Trade creditors	6,884,793	6,811,927
Amounts owed to group undertakings	3,819,136	4,758,271
Group relief payable	338,670	452,979
Other taxation and social security	1,266,633	1,419,157
Other creditors	158,523	22,228
Accruals and deferred income	1,827,329	1,684,346
	<u>15,800,877</u>	<u>15,442,613</u>

16 Reserves

Share capital

The nominal value of allotted and fully paid up ordinary share capital.

Retained earnings

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Carter Synergy Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

17 Deferred taxation

		Deferred tax asset £
At 1 January 2017		219,425
Utilised in year		(12,746)
		<hr/>
At 31 December 2017		206,679
		<hr/>
The deferred tax asset is made up as follows:	2017	2016
	£	£
Accelerated capital allowances	179,071	169,238
Other timing differences	27,608	50,187
	<hr/>	<hr/>
	206,679	219,425
	<hr/>	<hr/>

18 Provisions for liabilities

	Guarantee Cost Provision £
At 1 January 2017	39,500
Charged to the profit and loss account	27,513
Utilised in the year	(27,513)
	<hr/>
31 December 2017	39,500
	<hr/>

The provision is for guarantee costs which the company is obliged to make under guarantee on certain sales. The guarantee period is typically one year in duration.

19 Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
10,200 ordinary shares of £1 each	10,200	10,200
	<hr/>	<hr/>

20 Contingent liabilities

The company has given an unlimited guarantee in respect of the group banking facility which amounted to £7,362,359 at 31 December 2017 (2016 - £6,208,987). Details of the banking facility are given in the accounts of Carter Thermal Industries Limited.

Carter Synergy Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

21 Pension commitments

The company participates in two group defined benefit schemes, the Carter Thermal Industries Limited Pension Scheme and the Carter Executive Plan ("the Group Schemes"). The schemes are closed to new members and future accrual. As the schemes assets and liabilities are managed on a unified basis, it is not possible to identify the company's share of assets and liabilities in the defined benefit scheme on a consistent and reasonable basis. Therefore, in accordance with FRS102, the scheme is accounted for as if it was a defined contribution scheme.

Contributions are paid to the trustees of the Group Schemes on the basis of advice from an independent professionally qualified actuary who carries out a valuation of the Group Schemes every three years. The most recent formal valuation of the Carter Thermal Industries Limited Pension Scheme was carried out as at 31 December 2015 and Carter Executive Plan as at 31 December 2014 and was updated on an approximate basis to 31 December 2017 by a qualified actuary.

Contributions made to the Carter Thermal Industries Limited Pension Scheme amounted to £Nil (2016 -£Nil) and Carter Executive Plan £Nil (2016 - £Nil).

The valuation of the two schemes at 31 December 2017, calculated by the actuary on an FRS 102 projected unit basis, shows a deficit on the Carter Thermal Industries Limited Pension Scheme of £2,874,220 (2016 - £3,088,620) and on the Carter Executive Plan of £590,805 (2016 - £1,450,205).

The directors expect future contributions to be consistent with those made in the current year.

For the purpose of these accounts, these figures are illustrative only and do not impact on the result or the Statement of Financial Position of the company. It should also be noted that these figures include a proportion of pension assets and liabilities relating to other group companies which also participate in the scheme. It has not been possible to identify the share of the deficits which relates solely to Carter Synergy Limited. Full details of the pension schemes are given in the accounts of the ultimate parent company.

The company also operates a defined contribution scheme. Payments to the defined contribution scheme amounted to £512,347 (2016 - £340,297).

22 Commitments under operating leases

At 31 December 2017 and 2016 the company had future minimum lease payments under non- cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	1,047,791	116,748
Later than 1 year and not later than 5 years	959,454	248,575
Later than 5 years	-	-
	<u>2,007,245</u>	<u>365,323</u>

Carter Synergy Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

23 Related party transactions

The company is a wholly owned subsidiary of Carter Thermal Industries Limited and has taken advantage of the exemption conferred by section 33.1A of FRS 102 not to disclose transactions with Carter Thermal Industries Limited or other wholly owned subsidiaries within the group.

Key management personnel represent the directors of the company as they have responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. During the period, the key management personnel remuneration included within directors' remuneration was £216,622 (2016 - £361,036).

24 Ultimate parent company and parent undertaking of larger group

The immediate parent company is Carter Thermal Industries Limited.

The ultimate parent company and controlling party is Longdon Estates Limited, a company registered in England and Wales. Copies of the group financial statements of Longdon Estates may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The largest group in which the results of the company are consolidated is that headed by Longdon Estates Limited, incorporated in England and Wales. The smallest group in which they are consolidated is that headed by Carter Thermal Industries Limited, incorporated in England and Wales. The consolidated accounts are available to the public and may be obtained from the above address.